

Orwood Resort, Inc.

Recreational Marina Loan

\$200,000 Phase II Loan
(Total Loan Amount of \$1,271,000)

SUMMARY



Department of Boating and Waterways (DBW) loans are funded exclusively through the Harbors and Watercraft Revolving Fund. These funds are derived from the gasoline taxes paid by boaters in California, and the repayment of loan principal and interest. No State General Fund dollars are used.

Orwood Resort, Inc. (Orwood Resort) has applied to the Department of Boating and Waterways for a phase II Recreational Marina loan of \$200,000. Orwood Resort is located on the Sacramento-San Joaquin Delta near Brentwood.

The principal officers of Orwood Resort are John and Elaine Caprio, who collectively control 100 percent of the corporation.

The Boating and Waterways Commission has previously approved loans totaling \$2,383,000 for Orwood Resort.

Original Project

Phase I of this loan (\$1,071,000) was approved by the Boating and Waterways Commission in FY 2002/03. Loan funds were to be used in the original project to construct 153 fully enclosed dry storage units, grading and paving, utilities, a fire suppression and security system, and storm drains.

During the project design phase, the County of Contra Costa changed their building code to increase the amount of steel required for the construction of steel buildings, which also increased the amount of concrete needed for the building foundations. Orwood Resort estimates their construction costs have increased accordingly by \$200,000.

Revised Project

The revised project will require an additional \$200,000 in loan funds to cover the increased costs for steel and concrete. In addition, there will be a change in the number of dry storage units. Due to an unanticipated demand for larger units, the size of some of the proposed units will be increased. The original square footage of the buildings will remain the same, but there will be 16 fewer units, for a total of 137 units. The project still remains feasible with a total of 137 units.

The loan will be made for a period of 20 years. The Recreational Marina Loan Program interest rate is currently 7.00 percent.

Collateral on the loan will be the marina property. The marina property is currently valued at \$3,620,000. A \$580,000 first deed of trust leaves a remaining "as-is" value of \$3,040,000. This value is sufficient to cover the State's loan collateral requirements of 110% of this loan (\$220,000). The Department currently holds 2nd, 3rd, & 4th deeds of trust for three existing loans totaling \$2,383,000.

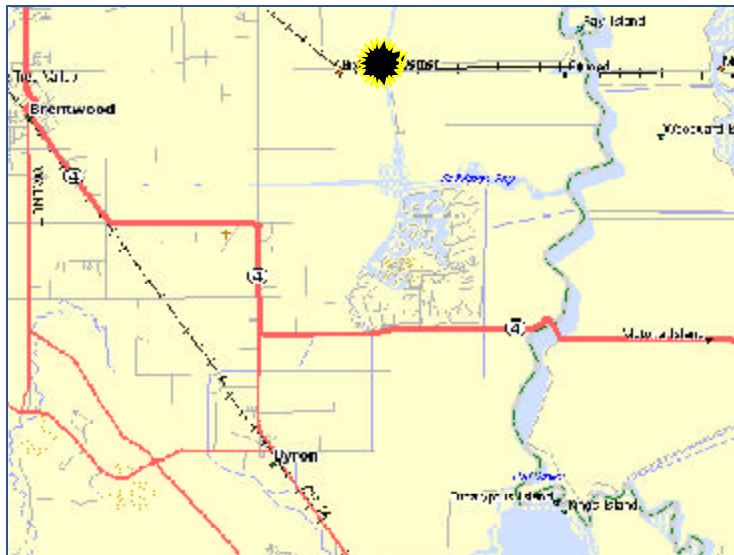
DBW staff recommends that the Commission consent to this \$200,000 Recreational Marina loan to Orwood Resort.

Loan Applicant

The loan applicant is Orwood Resort Inc. (Orwood Resort). The officers of Orwood Resort are John and Elaine Caprio, who collectively control 100 percent of the corporation.

Project Identification

The proposed phase II recreational marina loan is for \$200,000. Phase II loan funds, in combination with phase I loan funds of \$1,071,000 (approved by the Boating and Waterways Commission in FY 2002/03), will be used to construct 137 dry storage units at Orwood Resort. The resort/marina facilities include 229 dry boat storage units, a 28 slip marina (all slips are 21' in length), a three-lane boat launching ramp, a gas dock, a restaurant, a grocery store, 18 mobile home sites, 10 RV and 70 tent camping sites, a single family residence, and a workshop. In addition, there are parking, restroom and bath facilities, and a beach area available for use by patrons.



Project Location

Orwood Resort is located outside of Brentwood on Orwood Tract in the Sacramento-San Joaquin Delta. The marina/resort is approximately 60 miles east of San Francisco and five miles east of Brentwood in eastern Contra Costa County.

Access to Project

Access to the marina from Sacramento is via Interstate 5. Head south on I-5 to Stockton, exit on State Highway 4 and travel west approximately 25 miles. Turn right on Bixler Road just beyond Discovery Bay. Proceed north for approximately 5 miles and turn right onto Orwood Road. The marina/resort is about one half-mile down Orwood Road on the right.

Area Description

The California Delta is one of the best warm water fisheries in North America. The Delta offers largemouth bass, striped bass, bluegill, catfish and crappie. A mild climate and protected waters also provide excellent water ski recreation, and boating opportunities.

Previous Commission Action

In FY 1996/97, the Boating and Waterways Commission approved a \$529,000 private loan for construction of 105 dry boat storage units at Orwood Resort.

In FY 1999/00, the Boating and Waterways Commission approved a \$783,000 private loan for construction of 124 dry boat storage units and a new three-lane boat launching ramp at Orwood Resort.

In FY 2002/03, the Boating and Waterways Commission approved a \$1,071,000 private loan for construction of 153 dry boat storage units at Orwood Resort. The current feasibility report request for phase II funding would increase this loan amount to \$1,271,000.

ENGINEERING CONSIDERATIONS

Proposed Project

The proposed project includes:

Dry Storage: Construction of 137 fully enclosed boat storage units. (Originally there were to be 153 units, however, due to the demand for larger units, the size of some of the proposed units will be increased. As the original square footage of the buildings will remain the same, this will result in 16 fewer units for a total of 137 units.)

Grading and Paving: Grading and paving for the buildings.

Utilities: Electrical.

Fire/Security: A fire suppression system and security system.

Storm Drains: A drainage system for the new dry storage buildings area.

Cost Estimate

| <u>PROJECT ITEM</u> | <u>COST</u> |
|---------------------------|---------------|
| Dry Storage Buildings | \$ 921,000 |
| Grading/Paving | 200,000 |
| Utilities | 75,000 |
| Fire Suppression/Security | 55,000 |
| Storm Drainage | <u>20,000</u> |
| TOTAL | \$ 1,271,000 |

Project Status

The FY 1996/97 project included 105 units and was finished in April of 1999. Those units are now 100 percent occupied. The FY 1999/00 project included 124 units and was finished in March of 2002. Those units are also 100% occupied. There are currently 150 people on a waiting list for dry storage units included in the current construction project. Construction on the current project is anticipated to start in July 2005. Construction completion is anticipated by November 2005.

Conclusion

There are no particularly difficult or unusual problems associated with this project.

FINANCIAL ANALYSIS

The economic feasibility of the loan is based on (1) whether the marina is capable of generating revenues to repay the loan and cover other debt and operating expenses; and (2) whether there exists sufficient collateral to secure the loan.

Revenues

Income will be generated through the rental of the proposed dry storage units. The expected revenues for the marina are shown in Table 1.

| Annual Cash Flow Projection (in the 000's) | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| INCOME | | | | | | |
| Dry Storage ¹ | 467 | 490 | 876 | 920 | 966 | 1,014 |
| Lease Income ² | 167 | 175 | 183 | 192 | 202 | 212 |
| Store ³ | 502 | 527 | 580 | 609 | 639 | 671 |
| Cafe ³ | 483 | 497 | 522 | 548 | 576 | 605 |
| TOTAL REVENUE | \$ 1,619 | \$ 1,689 | \$ 2,161 | \$ 2,269 | \$ 2,383 | \$ 2,502 |
| EXPENSES | | | | | | |
| Operating Expenses ⁴ | 1,135 | 1,214 | 1,299 | 1,390 | 1,487 | 1,591 |
| Reserves ⁵ | 32 | 34 | 43 | 45 | 48 | 50 |
| Loans ⁶ | | | | | | |
| 1. City National Bank | 58 | 58 | 58 | 58 | 58 | 58 |
| 2. DBW | 53 | 53 | 53 | 53 | 53 | 53 |
| 3. DBW | 81 | 81 | 81 | 81 | 81 | 81 |
| 4. DBW | | | | 92 | 92 | 92 |
| 5. DBW | | | | 17 | 17 | 17 |
| 6. Tom Moir | 46 | 46 | 46 | 46 | 46 | 46 |
| 7. L.O. Credit | 41 | 41 | 41 | 41 | 41 | 41 |
| Loan Payment Subtotal | 279 | 279 | 279 | 388 | 388 | 388 |
| TOTAL EXPENSES | \$ 1,446 | \$ 1,527 | \$ 1,621 | \$ 1,823 | \$ 1,923 | \$ 2,029 |
| NET PROFIT | \$ 173 | \$ 162 | \$ 540 | \$ 446 | \$ 460 | \$ 473 |
| <p>1) Dry storage revenue figures assume 100 percent occupancy for existing 229 dry storage units, and an average 5% annual increase. For 137 proposed dry storage units, revenue figures assume 100% occupancy in 2006.</p> <p>2) Lease income from the mobile home park, permanent campsites, and marina slips. Assumes a 5 percent annual increase.</p> <p>3) Store and Cafe income includes store items and boat launching, camping, and fuel. Assumes a 5 percent annual increase. Between 2005 and 2006 there will be a 9% increase for the store.</p> <p>4) Operating expenses are an average of 65% of total revenue shown. Assumes a 7 percent annual increase.</p> <p>5) Reserves set aside for extraordinary maintenance @ two percent of gross revenues.</p> <p>6) Loans are as follows:</p> <ol style="list-style-type: none"> 1. City National Bank (First Deed of Trust) 2. Boating and Waterways (Second Deed of Trust) 3. Boating and Waterways (Third Deed of Trust) 4. Boating and Waterways (\$1,071,000 phase I at 5.25 percent) (Fourth Deed of Trust) 5. Boating and Waterways (\$200,000 phase II at 7.00 percent) (Fifth Deed of Trust) 6. Tom Moir 7. Amount includes four Lines of Credit. The combined annual payments of \$41,000 assume the maximum payment made | | | | | | |

Costs

The Department of Boating and Waterways (DBW) loan will cover 100 percent of the projected construction costs. The proposed \$200,000 loan will bear an interest rate of 7.00 percent (adjustable downward on January 1 of each year and capped at 7.00 percent) and be amortized over 20 years. The anticipated expenses of the marina are shown in Table 1.

Reserves

Orwood Resort will establish a reserve account and will deposit monthly an amount equal to 2 percent of project area gross revenues into the reserve account to be utilized for extraordinary, non-routine maintenance, repair and/or dredging, with prior written approval from DBW. Orwood Resort will provide a report to DBW annually with a status of the reserve account.

Collateral

The collateral for the proposed \$200,000 loan will be the marina property, currently valued at \$3,620,000. A \$580,000 first deed of trust held by East County Bank leaves a remaining "as-is" value of \$3,040,000. This value is sufficient to cover the State's loan collateral requirements of 110% of this loan (\$220,000). DBW currently holds 2nd, 3rd, & 4th deeds of trust for three existing loans totaling \$2,383,000. 110% of these loans, plus 110% of the proposed \$200,000 loan totals \$2,841,300.

DBW will obtain a fifth deed of trust on subject property, a Security Agreement, and a Universal Commercial Code Financing Statement on the marina fixtures and other tangible assets.

RECOMMENDATION

Based on the financial analysis and available collateral, the Department of Boating and Waterways staff recommends that its Commission consent to the \$200,000 phase II Recreational Marina loan (total loan amount of \$1,271,000) to Orwood Resort for dry storage construction.

ORWOOD RESORT

